

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company)	
d/b/a Nicor Gas Company)	
)	Docket No. 20-XXXX
Petition for approval of an Alternative)	
Rate Regulation program pursuant to)	
Section 9-244 of the Public Utilities Act)	

VERIFIED PETITION

Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas” or the “Company”), by its attorneys, pursuant to Section 9-244 of the Illinois Public Utilities Act (“PUA” or the “Act”) (220 ILCS 5/9-244), respectfully petitions the Illinois Commerce Commission (the “Commission”) to approve the alternative regulation pilot plan described herein, and to authorize Nicor Gas to file and place into effect the tariff that implements it, Rate 81 – General Renewable Gas Interconnection Service Pilot (“Rate 81”), along with other related tariff modifications. The proposed pilot, the Renewable Gas Interconnection Service Pilot (“RGI Pilot”), meets all of the requirements of Section 9-244 of the Act. The RGI Pilot is intended to analyze whether, and to what extent, the interconnection of Renewable Natural Gas (“RNG”) Production Facilities with Nicor Gas’ existing system delivers benefits to customers, the Company, the environment, and economic development in Northern Illinois, while developing best practices for RNG interconnection going forward. The Company supports this Petition with the attached testimony and exhibits of Robin Lanier, Director of Renewable Natural Gas at Southern Company Gas, and Anne Hizon, Manager of Rates at Nicor Gas. In support of this petition (the “Petition”), Nicor Gas states as follows:

1. Nicor Gas is an Illinois corporation with its general office at 1844 Ferry Road, Naperville, DuPage County, Illinois, 60563. It is engaged principally in the business of distributing and selling natural gas to approximately 2.2 million customers in the northern part of the State of Illinois, and is a public utility subject to the jurisdiction of the Commission pursuant to the Act.

2. The goal of the RGI Pilot is to facilitate the development of RNG Production Facilities in Nicor Gas' service territory and assess the anticipated customer benefits associated with the addition of RNG as a fuel source option, and the environmental and economic development benefits of having such facilities located here in Illinois.

3. The RGI Pilot also presents the Commission with the opportunity to have Illinois join those states that are taking a leading role in furthering the development of RNG as an environmentally beneficial fuel source. At present, according that the American Gas Association, 24 states have some type of program in place to encourage local distribution companies to include RNG in their portfolio of fuel sources.

4. RNG is a sustainable alternative to geologic natural gas that is produced from abundant amounts of organic waste from sources such as landfills, wastewater plants, and farms. The RNG production process is carbon neutral – or perhaps even carbon negative – because it: 1) captures existing methane releases that otherwise would be emitted into the atmosphere, which would have 25 times the global warming potential of carbon dioxide; and 2) displaces the use of geological natural gas.

5. The process of creating RNG takes methane emissions from organic waste to produce methane-rich biogas. The biogas then undergoes a process to clean and condition the gas to meet pipeline quality requirements, resulting in RNG, which is pipeline-quality gas that is

interchangeable with geologic natural gas. Since RNG is interchangeable with geologic natural gas, it can be used in Nicor Gas' existing pipeline infrastructure without system upgrades.

6. Nicor Gas has seen increasing interest from prospective RNG Production Facility developers looking to construct RNG production facilities in Nicor Gas' service territory and interconnect with the Company's system. However, there are two key barriers to RNG Production Facility development: 1) the Company does not have a tariff structure in effect to offer this particular interconnection service, thus creating uncertainty for prospective project developers; and 2) the cost of interconnection.

7. The RGI Pilot proposal creates a tariff mechanism to address both barriers and facilitate interconnection. Under the RGI Pilot, Nicor Gas proposes a new tariff, Rate 81, which provides the terms and conditions under which Nicor Gas will offer interconnection service. Also under the RGI Pilot, the Company will commit up to \$20 million in capital investment necessary to interconnect with RNG Production Facilities, with no more than \$4 million in capital investment per project. Known under the RGI Pilot as the "Interconnection Allowance," this investment is targeted solely to capital costs necessary for interconnection. Meanwhile, the RNG Producer is responsible for all costs associated with the development, construction, and operation of the RNG Production Facility, as well as interconnection-related capital costs in excess of \$4 million. The RNG Producer also is responsible for the operating and maintenance costs associated with operation of the facilities necessary for interconnection, as well as related administrative costs. The Company's capital investment under the RGI Pilot would be placed in base rates with a minimal impact on customers' rates. Specifically, under this proposal, if the Company invests the entire \$20 million allowed, the average residential customer's share of costs will be less than \$1 per year.

8. In addition to the RNG Producer's financial obligations discussed above, proposed Rate 81 sets forth eligibility requirements to take service under the RGI Pilot that include: 1) the RNG Production Facility must deliver RNG to the interconnection point that meets Nicor Gas' and the Commission's standards for pipeline-quality gas; and 2) the RNG Producer must sell the RNG to a third-party for resale to a Nicor Gas customer(s). The latter requirement ensures that the RGI Pilot is not subject to the provisions of the Gas Transmission Facilities Act. 220 ILCS 25. Full details concerning the RGI Pilot's eligibility requirements and tariff terms are found in the testimonies of Nicor Gas witnesses Robin Lanier and Anne Hizon, Nicor Gas Exhibits 1.0 and 2.0, respectively.

9. Section 9-244 of the Act gives the Commission the authority to approve the RGI Pilot. It also provides that the Commission may authorize, for some or all of the regulated services of a utility, alternatives to rate of return regulation.

10. Section 9-244(b) requires the Commission to make eight findings before approving such a plan. Nicor Gas has satisfied these eight criteria:

- a. **The program is likely to result in rates lower than otherwise would have been in effect under traditional rate of return regulation for the services covered by the program.** The service covered under the Company's proposed Renewable Gas Interconnection Service Pilot is a new service that is not otherwise available. Rates for this new interconnection service will be lower than they would be under traditional rate of return regulation because the RGI Pilot provides an RNG Producer an Interconnection Allowance dedicated to capital investment necessary for interconnection. The Interconnection Allowance could not occur

under traditional regulation due to the provisions of Part 530.20 (a) of the Commission's rules. The RGI Pilot's proposed pricing mechanism is a superior approach because it facilitates investment in RNG Production Facilities in the Company's service territory, and will allow the Company to learn about the benefits these facilities can provide our customers, our system, the environment, and local communities. At the same time, presenting this as a pilot program provides appropriate safeguards.

- b. The program is likely to result in other substantial and identifiable benefits that would be realized by customers served under the program and that would not be realized in the absence of the program.** RGI Producers served under Rate 81 will benefit from interconnection to Nicor Gas' distribution system, which is not possible absent this program. Moreover, as described above, the development of RNG Production Facilities and the RNG produced presents a variety of potential benefits to our customers, communities, the environment, and local distribution operations. Supporting the development of RNG Production Facilities in the Company's service territory helps to create jobs, keep the money Illinoisans' spend on energy in the local economy, and keep energy tax revenues in the state. The integration of RNG also is a way to help reduce greenhouse gas emissions, which is increasingly important to customers and stakeholders nationwide. If the RGI Pilot is successful in bringing RNG development to Illinois or promotes development of RNG on existing methane sources, the economic and

environmental impacts of those facilities also will provide benefits that would not otherwise be realized in the absence of the program.

c. The utility is in compliance with applicable Commission standards for reliability and implementation of the program is not likely to adversely affect service reliability.

Nicor Gas currently complies with Commission standards for reliability and, assuming the Commission approves the RGI Pilot, Nicor Gas will continue to comply, and implementation of the RGI Pilot will not adversely affect service reliability. In fact, informed integration of RNG into the Nicor Gas system likely will help to improve reliability by diversifying fuel sources. As described above, through implementation of this Pilot, the Company will gain valuable knowledge and experience with these projects that will inform appropriate requirements for interconnection to ensure continued safe and reliable service. The Company will, as is required for oversight of municipal landfill gas interconnection, monitor the RNG Production Facility's testing operations.

d. Implementation of the program is not likely to result in deterioration of the utility's financial condition.

Nicor Gas' proposal to invest up to \$20 million to facilitate the interconnection of RNG Production Facilities is *de minimis* when compared to the Company's total system investment. Under this Pilot, the RNG Producer is responsible for the O&M expenses associated with the Company's ownership and operation of the interconnection facilities, and related administrative costs. Further, the

Company is requesting the rate base recovery of the investment made under the RGI Pilot. As such, the program is not likely to result in the deterioration of the utility's financial condition.

- e. **Implementation of the program is not likely to adversely affect the development of competitive markets.** The RGI Pilot will not adversely affect the development of competitive markets, as the Pilot is available to any eligible RNG Producer, subject to the Company's investment cap.
- f. **The electric utility is in compliance with its obligation to offer delivery services pursuant to Article XVI.** This criteria is not applicable to Nicor Gas.
- g. **The program includes annual reporting requirements and other provisions that will enable the Commission to adequately monitor its implementation of the program.** Nicor Gas' RGI Pilot includes metrics to measure the success of the program, described in the testimony of Nicor Gas witness Robin Lanier (Nicor Gas Ex. 1.0). In connection with those metrics, Nicor Gas will file annual reports that include details on the specific RGI Pilot projects and report economic and environmental benefits realized. The annual report will include RNG facility interconnection inquiries and program participants. Specific details will include the type of facility, location, and estimated production, as well as the status of each facility. Further, Nicor Gas will evaluate success and interest through the inquiries as well as the program participation.

- h. The program includes provisions for an equitable sharing of any net economic benefits between the utility and its customers to the extent the program is likely to result in such benefits.** The RGI Pilot Program is not designed to generate a non-traditional stream of revenues that can be shared with customers. Instead, the Pilot is designed to facilitate the development of RNG Production Facilities in the Company's service territory, with the anticipated benefits generated for customers, the environment, the Company, and local communities, as described previously.

11. Section 9-244(c) of the PUA requires Commission to initiate a review of an alternative regulation program two years after its initial approval and implementation. Under the RGI Pilot, Rate 81 is applicable only to those RNG Producers who execute a Renewable Gas Interconnection Service Agreement within two years from the effective date of the tariff. As such, the period to obtain this service is limited and, after two years, new eligible customers can participate only after the Commission approves an expansion or modification to the Pilot.

12. It is prudent and reasonable for Nicor Gas to implement the proposed RGI Pilot as an alternative regulation program under Section 9-244 of the PUA. Nicor Gas also requests the Commission to determine that the capital investments made under the RGI Pilot are prudent and reasonable rate base costs that are recoverable through the Company's base rates.

13. Nicor Gas acknowledges that Section 9-244 of the PUA allows the Commission up to 270 days to consider this Petition and the proposed RGI Pilot. However, given the limited nature of the proposal, the Company respectfully requests that the Commission expedite consideration of this proceeding in light of expressed interest from prospective RNG Producers.

WHEREFORE, Northern Illinois Gas Company d/b/a Nicor Gas Company respectfully requests that the Commission enter an Order approving its Renewable Gas Interconnection Pilot and authorizing it to file and place into effect Rate 81, the tariff that implements that Pilot, and other related tariff modifications.

Dated: September 30, 2020

Respectfully submitted,

NORTHERN ILLINOIS GAS COMPANY
D/B/A NICOR GAS COMPANY

By: /s/ John E. Rooney
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VERIFICATION BY CERTIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, 735 ILCS 5/1-109, the undersigned certifies that the statements set forth in the foregoing Petition for approval of an Alternative Rate Regulation program are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.

A handwritten signature in blue ink, reading "Lewis Binswanger", is positioned above a horizontal line.

Lewis M. Binswanger